

SECURITIES A

Washington, D.C. 20549



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**ANNUAL AUDITED REPORT  
 FORM X-17A-5  
 PART III**

SEC FILE NUMBER

8-20943

## FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
 Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 11/1/2007 AND ENDING 12/31/2007  
 MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**NAME OF BROKER-DEALER: CB Realty Sales, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do not use P.O. Box No.)

5402 EAST LINCOLN DRIVE

(No. and Street)

Scottsdale

(City)

AZ

(State)

85253

(Zip Code)

OFFICIAL USE ONLY

7314

FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

KPMG LLP

(Name - if individual, state last, first, middle name)

1660 International Drive, McLean, VA 22102

(Address)

(City)

(State)

(Zip Code)

## CHECK ONE:

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

SEC  
 Mail Processing  
 Section  
 FEB 29 2008  
 Washington, DC  
 101

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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MAR 24 2008

J THOMSON  
 FINANCIAL

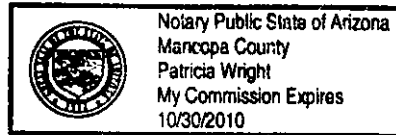
OATH OR AFFIRMATION

I, Jane Durkin, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CB Realty Sales, Inc., as of December 31, 2007, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Jane Durkin  
Signature

Title

Patricia Wright  
Notary Public



This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

# INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

CB Realty Sales, Inc.  
December 31, 2007 and 2006

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KPMG LLP  
1660 International Drive  
McLean, VA 22102

## Independent Auditors' Report

The Board of Directors  
CB Realty Sales, Inc.:

We have audited the accompanying statements of financial condition of CB Realty Sales, Inc. (the "Company") as of December 31, 2007 and 2006, and the related statements of income, changes in shareholder's equity, and cash flows for the years then ended that the Company files pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting, as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CB Realty Sales, Inc. as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the 2007 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2007 basic financial statements taken as a whole.

KPMG LLP

McLean, Virginia  
February 27, 2008

**STATEMENTS OF FINANCIAL CONDITION**  
**CB Realty Sales, Inc.**  
**December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ 86,953	\$ 82,626
Receivable from Parent (note 3) .....	<u>226,844</u>	<u>200,298</u>
	<u>\$ 313,797</u>	<u>\$ 282,924</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses.....	\$ 57,518	\$ 84,951
Total liabilities.....	<u>57,518</u>	<u>84,951</u>
<b>SHAREHOLDER'S EQUITY</b>		
Common stock, \$10 stated value; 100 shares authorized, issued and outstanding .....	1,000	1,000
Additional paid-in capital .....	99,000	99,000
Retained earnings.....	<u>156,279</u>	<u>97,973</u>
Total shareholder's equity .....	<u>256,279</u>	<u>197,973</u>
	<u>\$ 313,797</u>	<u>\$ 282,924</u>

The accompanying notes are an integral part of these financial statements.

**STATEMENTS OF INCOME**  
**CB Realty Sales, Inc.**  
**Years Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>REVENUES</b>		
Commissions .....	\$ 133,380	\$ 247,740
Interest .....	14,522	9,725
Fees for administrative services .....	<u>5,350</u>	<u>7,000</u>
	<u>153,252</u>	<u>264,465</u>
<b>EXPENSES</b>		
Salaries and benefits .....	55,073	50,791
Regulatory and professional fees, net of refund in 2007 .....	(7,597)	41,233
Rent .....	3,583	3,583
Communications .....	2,590	2,867
Employee Relations .....	1,163	879
Other .....	<u>939</u>	<u>1,277</u>
	<u>55,751</u>	<u>100,630</u>
<b>INCOME BEFORE TAXES</b> .....	97,501	163,835
<b>INCOME TAX PROVISION</b> .....	<u>(39,195)</u>	<u>(65,862)</u>
<b>NET INCOME</b> .....	<u>\$ 58,306</u>	<u>\$ 97,973</u>

The accompanying notes are an integral part of these financial statements.

**STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY**  
**CB Realty Sales, Inc.**  
**Years Ended December 31, 2007 and 2006**

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, January 1, 2006.....	\$ 1,000	\$ 99,000	\$ —	\$ 100,000
Net income .....	<u>—</u>	<u>—</u>	<u>97,973</u>	<u>97,973</u>
Balance, December 31, 2006.....	1,000	99,000	97,973	197,973
Net income .....	<u>—</u>	<u>—</u>	<u>58,306</u>	<u>58,306</u>
Balance, December 31, 2007.....	<u>\$ 1,000</u>	<u>\$ 99,000</u>	<u>\$ 156,279</u>	<u>\$ 256,279</u>

The accompanying notes are an integral part of these financial statements.

**STATEMENTS OF CASH FLOWS**  
**CB Realty Sales, Inc.**  
**Years Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>OPERATING ACTIVITIES</b>		
Net income .....	\$ 58,306	\$ 97,973
Changes in assets and liabilities:		
Receivable from Parent (note 3).....	(26,546)	(143,106)
Accounts payable and accrued expenses .....	<u>(27,433)</u>	<u>48,996</u>
Cash provided by operating activities .....	<u>4,327</u>	<u>3,863</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS .....</b>	<b>4,327</b>	<b>3,863</b>
<b>CASH AND CASH EQUIVALENTS at beginning of year .....</b>	<b><u>82,626</u></b>	<b><u>78,763</u></b>
<b>CASH AND CASH EQUIVALENTS at end of year.....</b>	<b><u>\$ 86,953</u></b>	<b><u>\$ 82,626</u></b>

The accompanying notes are an integral part of these financial statements.



**NOTES TO FINANCIAL STATEMENTS**  
**CB Realty Sales, Inc.**  
**December 31, 2007 and 2006**

**NOTE 1. THE COMPANY**

CB Realty Sales, Inc., a Delaware Corporation, (the "Company") is engaged primarily in the resale of limited partnership interests in Camelback Inn Associates Limited Partnership (the "Partnership"). The Partnership's business consists of the rental pooling of condominium units located in Arizona. The Company is registered as a real estate broker and broker/dealer of securities in Arizona. The Company is a wholly-owned subsidiary of Host Hotels & Resorts, Inc. (the "Shareholder").

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Accounting*

The Company's records are maintained on the accrual basis of accounting and its fiscal year coincides with the calendar year.

*Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents*

The Company considers all highly liquid investments with a maturity of three months or less at date of purchase to be cash equivalents.

*Commission Revenue*

Commission revenue generated through the sale of condominium units for which the Company acts as broker is recorded on the settlement date.

*Income Taxes*

The Company is included in the consolidated federal income tax return filed by the Shareholder. Federal income taxes are calculated as if the companies filed on a separate return basis, and the amount of current tax or benefit calculated is either remitted to or received from the Shareholder. The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. The Company's provision for income taxes for 2007 and 2006 is computed on a separate entity basis and equates to a 35% Federal rate, plus the impact of an 8% state rate, net of the Federal tax benefit. At December 31, 2007 and 2006, taxes payable of \$39,195 and \$65,862, respectively, are included in accounts payable and accrued expenses.

### **NOTE 3. RELATED PARTY TRANSACTIONS**

#### *Bank Accounts*

All of the Company's receipts and disbursements are recorded through the Shareholder's central accounting system and banking account, except for the bank account used to maintain the Company's minimum net capital requirement (see Note 4).

The Company is required to maintain separate accounts for any funds for the exclusive benefit of customers in its possession. Monies for the purchase or sale of partnership units are deposited by the buyer directly with the title company which then pays the Company for commissions earned on the transaction. Accordingly, the Company did not possess any funds for the exclusive benefit of customers as of December 31, 2007 and 2006. The Company has claimed, and been granted, exempt status under SEC rule 15c3-3, Section (k)(2)(A) with regards to certain filing requirements based upon its treatment of funds for the exclusive benefit of customers.

#### *Receivable from Parent*

The receivable from the Shareholder represents revenues of the Company deposited in the Shareholder's central bank account less expenses paid on behalf of the Company by the Shareholder and distributions paid to the Shareholder. The Company earned interest on the average monthly receivable balance at approximately 4.89% and 5.20% for the years ended December 31, 2007 and 2006, respectively.

#### *Services Rendered*

During the years ended December 31, 2007 and 2006, the Shareholder provided the Company with administrative assistance which included accounting, management and legal services. The Shareholder charged the Company \$55,073 and \$50,791 for these services in 2007 and 2006, respectively. These charges represent a pro-rata allocation of salaries expense incurred by employees of the Shareholder related to time dedicated to the affairs of the Company and are included as salaries and benefits expense.

### **NOTE 4. NET CAPITAL REQUIREMENT**

The Company is required to maintain minimum net capital of \$5,000. In addition, the Company is required to maintain a percentage of aggregate indebtedness to net capital not to exceed 1,500% (as these terms are defined in the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1)). On December 31, 2007, the Company's net capital (as defined) was \$27,696, resulting in excess net capital of \$21,944. The Company's percentage of aggregate indebtedness to net capital was 207.68% at December 31, 2007.

### **NOTE 5. REGULATORY AND PROFESSIONAL FEES**

In 2007, the National Association of Securities Dealers and New York Stock Exchange merged to form a single regulatory body, the Financial Industry Regulatory Authority. As a result of this merger, the Company received a one-time refund of regulatory fees of \$35,000. This refund has been recorded as a reduction of regulatory and professional fees for 2007.

FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT  
PART IIA

BROKER OR DEALER: CB Realty Sales, Inc.

As of: December 31, 2007

Computation of Net Capital

1. Total ownership equity from Statement of Financial Condition	\$	256,279	3480
2. Deduct ownership equity qualified for Net Capital		-	3490
3. Total ownership equity qualified for Net Capital	\$	256,279	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital		-	3520
B. Other (deductions) or allowable credits (List)		-	3525
5. Total capital and allowable subordinated liabilities	\$	256,279	3530
6. Deductions and/or charges:			
A. Total nonallowable assets from Statement of Financial Condition (Notes B and C)	\$	226,844	3540
B. Secured demand note deficiency		-	3590
C. Commodity futures contracts and spot commodities - proprietary capital charges		-	3600
D. Other deductions and/or charges (List)		-	3610
7. Other additions and/or credits (List)		-	3630
8. Net capital before haircuts on securities positions	\$	29,435	3640
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):			
A. Contractual securities commitments		-	3660
B. Subordinated securities borrowings		-	3670
C. Trading and investment securities:			
1. Exempted securities		-	3735
2. Debt securities		-	3733
3. Options		-	3730
4. Other securities		-	3734
D. Undue Concentration		-	3650
E. Other (List) MONEY MARKET FUND		(1,739)	3736
10. Net Capital	\$	27,696	3750

FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT  
PART IIA

BROKER OR DEALER: CB Realty Sales, Inc.

As of: December 31, 2007

Computation of Basic Net Capital Requirement

**Part A**

11. Minimum net capital required (6-2/3% of line 19)	\$	3,835	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance w/ Note (A)	\$	5,000	3758
13. Net Capital Requirement (greater of line 11 or 12)	\$	5,000	3760
14. Excess net capital (line 10 less 13)	\$	22,696	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$	21,944	3770

Computation of Aggregate Indebtedness

16. Total A.I. Liabilities from Statement of Financial Condition	\$	57,518	3790
17. Add:			
A. Drafts for immediate credit	-	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited	-	3810	
C. Other unrecorded amounts (List)	-	3820	\$ - 3830
19. Total aggregate indebtedness	\$	57,518	3840
20. Percentage of aggregate indebtedness to net capital (line 19/line 10)		207.68%	3850

**STATEMENT OF NON-ALLOWABLE ASSETS**  
**CB Realty Sales, Inc.**  
**As of December 31, 2007**

Receivable from Host Hotels & Resorts, Inc. ....	<u>\$ 226,844</u>
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SCHEDULE II

FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT  
PART IIA

BROKER OR DEALER: CB Realty Sales, Inc.

As of: December 31, 2007

Exemptive Provision Under Rule 15c3-3

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check one only)

- |   |                 |                 |
|---|-----------------|-----------------|
| A. (k) (1) - \$2,500 capital category as per Rule 15c3-1  |                 | <div>4550</div> |
| B. (k) (2)(A) - "Special Account for the Exclusive Benefit of customers" maintained   | X               | <div>4560</div> |
| C. (k) (2)(B) - All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm | <div>4335</div> | <div>4570</div> |
| D. (k) (3) - Exempted by order of the Commission  |                 | <div>4580</div> |



KPMG LLP  
1660 International Drive  
McLean, VA 22102

## **Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5**

Board of Directors  
CB Realty Sales, Inc.:

In planning and performing our audit of the financial statements of Standard CB Realty Sales, Inc. (the Company), as of and for the year ended December 31, 2007 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that



adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

McLean, Virginia  
February 27, 2008

END